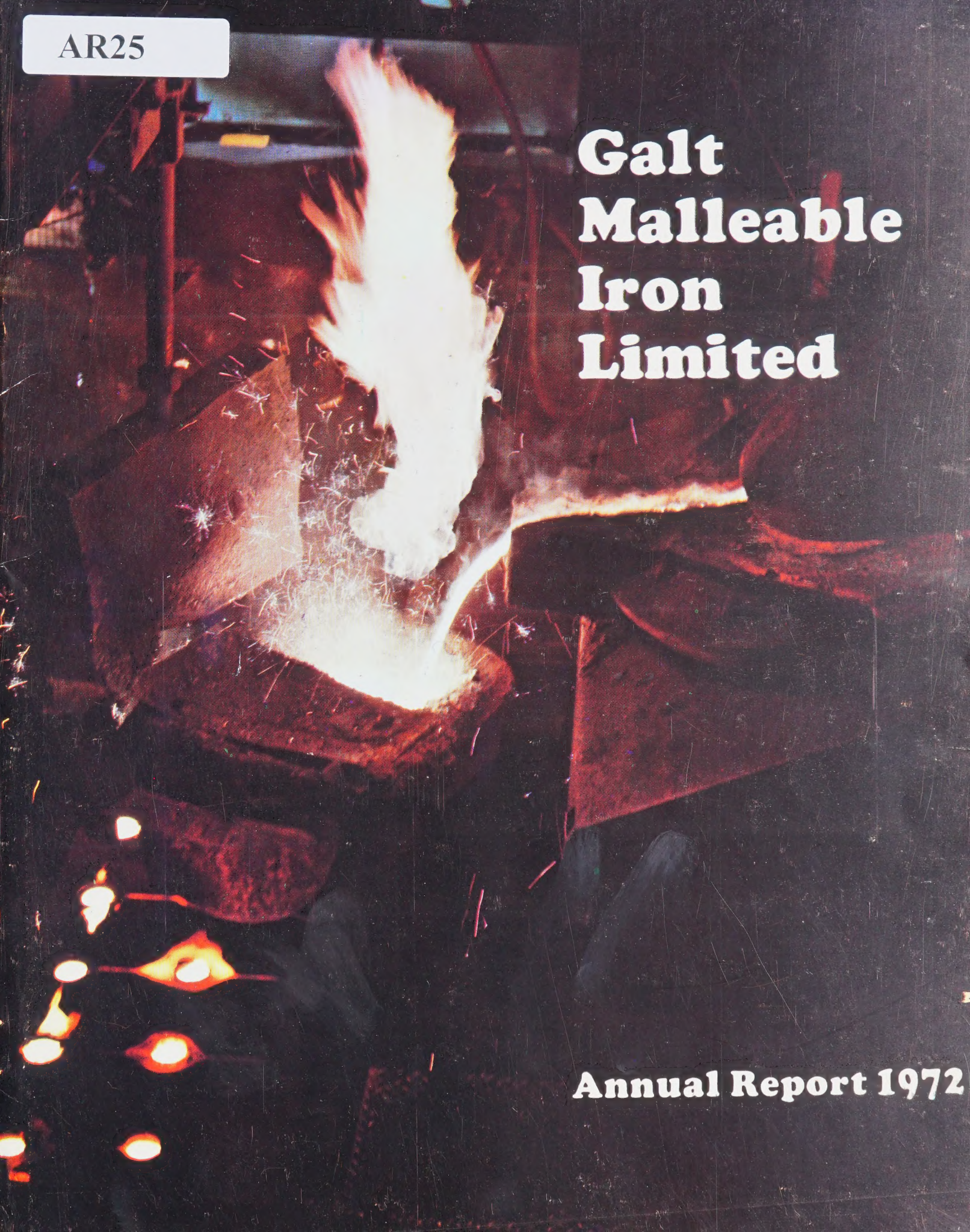


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Galt Malleable Iron Limited

Annual Report 1972

Galt Malleable Iron Limited

and subsidiary companies

Five Year Financial Review

STATEMENT OF INCOME

	1972	1971	1970	1969	1968 †
Sales	\$9,928,126	\$8,360,270	\$7,389,728	\$7,242,867	\$6,250,797
Cost of sales	8,071,737	6,716,742	6,322,289	5,828,322	4,939,328
Gross profit	1,856,389	1,643,528	1,067,439	1,414,545	1,311,469
Sales, financial and administrative expenses	1,020,694	860,542	831,744	626,380	597,924
Income before income taxes, minority interest and extraordinary items	835,695	782,986	235,695	788,165	713,545
Income taxes	437,294	410,085	138,819	441,159	166,960
Income before minority interest and extraordinary items	398,401	372,901	96,876	347,006	546,585
Dividends on preference shares paid to minority shareholders of subsidiary company	3,000	12,000	12,000	15,780	23,400
Income before extraordinary items	395,401	360,901	84,876	331,226	523,185
Extraordinary items				177,850	
Net income for the year	\$ 395,401	\$ 360,901	\$ 84,876	\$ 509,076	\$ 523,185

FINANCIAL AND OTHER INFORMATION

Working capital	\$1,069,301	\$1,121,951	\$ 773,413	\$1,004,589	\$ 548,531
Working capital ratio	1.93:1	1.98:1	1.70:1	1.66:1	1.53:1
Long-term debt	\$2,965,265	\$3,502,697	\$3,700,410	\$2,774,600	\$1,269,400
Number of common shares outstanding *	652,500	652,500	652,500	652,500	650,000
Common shareholders' equity	\$3,156,399	\$2,879,836	\$2,620,405	\$2,539,392	\$2,094,563
Equity per common share	\$ 4.85	\$ 4.41	\$ 4.02	\$ 3.89	\$ 3.22
Cash flow per common share	\$ 1.45	\$ 1.33	\$.36	\$ 1.12	\$ 1.00
Earnings per common share *	\$.60	\$.55	\$.12	\$.77	\$.80
Common share return on common equity	12.4%	12.4%	3.2%	20.0%	25.0%

*Including extraordinary items. The figures for 1968, 1969 and 1970 have been adjusted to reflect the subdivision of common shares effected in 1971

† The figures for 1968 have been adjusted to reflect the additional income taxes assessed during 1970 and certain figures have been reclassified in order to present them in a form comparable with those for 1969, 1970, 1971 and 1972.

COVER

Molten malleable iron at 2600°F being poured from a coreless induction melting furnace into high

pressure flaskless molds at a gross rate of 300 molds per hour, one of the latest concepts available to foundrymen !

This year the Annual Report of Galt Malleable Iron Limited includes, in addition to the financial statements, information which we hope will be of interest to you, to make you aware of the history, the products, and future direction of your company.

Your company is most interested in answering your questions throughout the year. You are invited to write to:

John Brennan,

Galt Malleable Iron Limited
P. O. Box 396,
CAMBRIDGE, Ontario, Canada
N1R 5V8.

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Page 15	– Galt Malleable Iron Limited – Officers and Directors

The Annual and General Meeting of Galt Malleable Iron Limited and subsidiary companies will be held at 10 o'clock in the forenoon, Toronto time, in the British Columbia Room, The Royal York Hotel, on Wednesday, the 25th day of April, 1973.

The GALT Story

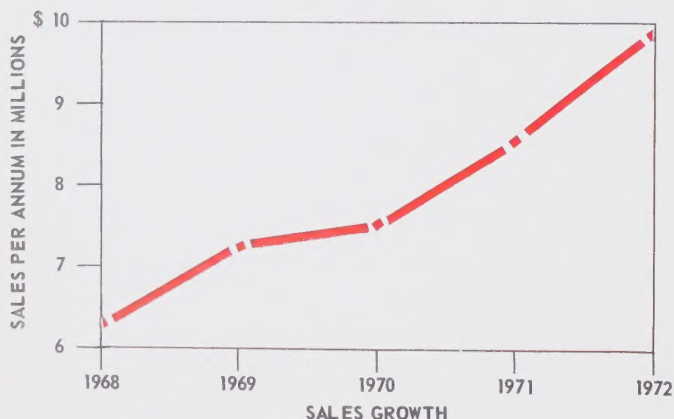
FOUNDRY DIVISIONS

Galt Malleable Iron Limited was established in 1906 in the centre of Galt, Ontario, which has recently been amalgamated with Preston and Hespler to form the new city of Cambridge. The plant originally produced malleable iron castings for the railroad industry. Operations have since been expanded to produce, as well, a wide variety of castings weighing between one-half and fifteen pounds for the automotive, mining and construction industries. With an eye to the future, the Company in 1966 established the Galt-Brantford Malleable Limited foundry in Brantford Township, Ontario. This was expanded in 1970.

Malleable iron castings have a variety of uses due to their exceptional durability under all sorts of conditions. As well, they are relatively low in cost. This is possible only with efficient production methods, a key aspect of Galt's success.

Malleable iron is also capable of the most diverse design applications. Whether the vital consideration is high strength, toughness, ductility, machinability, appearance, wear resistance, economy, or adaptability for complicated uses, these castings have the versatility to meet exacting specifications.

Productive capacities in 1972 were 26,000,000 pounds of castings per annum in the Galt-Brantford foundry and 12,000,000 pounds of castings per annum in the Cambridge (Galt) foundry.



The Company's foundries feature the newest coreless induction melting furnaces, capable of fast and efficient melting.

In order to produce a malleable casting it is necessary first to manufacture a mold. Each such mold, which is usable only once, must be accurately formed, and must be able to withstand the stresses of heat and weight developed in working with a molten metal. The molds are formed using a mixture of sand, clay, water and additives mixed in precise proportions to assure uniformity. Pressure packs these materials into custom molds to the point where they will support the molten liquid metals during and immediately after the pouring stage.

Molding is, therefore, performed utilizing high pressure automatic molding systems as well as conventional jolt-squeeze matchplate, and cope and drag methods. Necessary to the automatic molding operation is a new sand mulling and handling system which provides the high quality sand required for the high pressure molding.

After the metal has been poured and has solidified, the molds pass through the 'shakeout', which as it implies, removes the sand.

The castings, after sprue and gate breakoff, go through annealing ovens, which have the newest types of controlled atmosphere equipment necessary to produce high quality malleable iron castings.

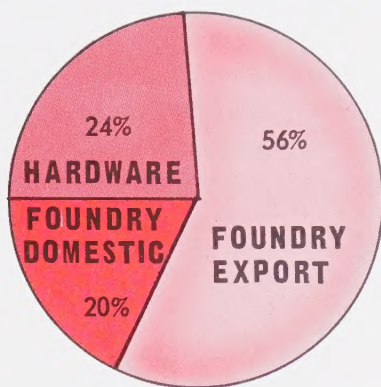
HARDWARE DIVISION

The Hardware Division came into existence in 1930 when Galt acquired the assets of the A.D. Porter Company. The division's original purpose was to form a marketing and distribution agency for the malleable castings produced for the awning, plumbing, truck and wire rope hardware industries in Canada.

Today, however, this Division is manufacturing and/or marketing products such as awning fabrics,

sink strainers and special purpose automotive machining, as well as increasing its penetration in the original markets.

The diversification of the hardware business has always complemented the Galt foundry divisions; however, separate programs are actively being investigated to increase this division's contribution to total corporate revenues.

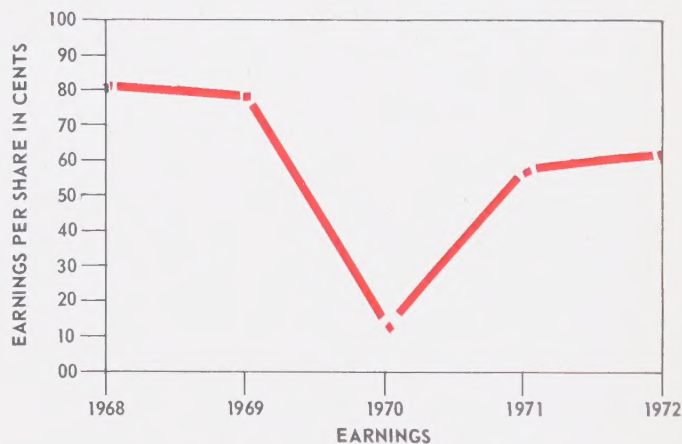
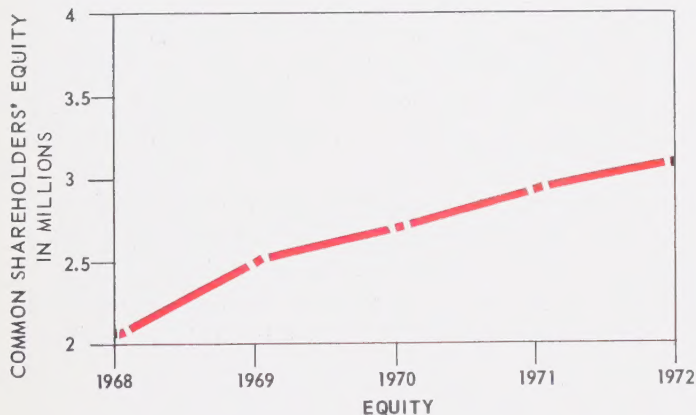


SALES BREAKDOWN FOR 1972

Galt Malleable Iron Limited is active in international trade; over 50% of total sales goes to the automotive industry in the United States. This is possible since the company is extremely competitive with other suppliers, both in price and product quality. This capability results also from the efforts of the employees, many of whom have been with the company for long periods of time. Some are even the second and third generations of families whose service dates back to the origin of the company.

The company's technical staff is consulted frequently by customer firms planning new products or redesigning existing ones.

Galt engineers continue to work with industry in many areas; to build better castings, to develop new designs, and to control cost. The company itself is examining new potentials for growth, new products and even new industries.



Galt Malleable Iron Limited

and subsidiary companies

Report to Shareholders

Your directors are pleased to submit the 1972 annual report for Galt Malleable Iron Limited and its subsidiary companies, Galt-Brantford Malleable Limited and G.M.I. Properties Limited, together with consolidated financial statements for the fiscal year ended December 31st, 1972.

FINANCIAL RESULTS

During 1972 your company was successful in increasing both sales and earnings, with all divisions showing improved performance. Consolidated Sales for the year ended December 31, 1972 were \$9,928,126 compared to \$8,360,270 in 1971, an increase of approximately 19%. Net after-tax profit for the year was \$395,401 or 60¢ per common share up from \$360,901 or 55¢ per common share in fiscal 1971, a gain of approximately 9%.

Your company exports over 50% of its products to original equipment manufacturers in the United States. In view of wage and price controls in effect during 1972, the sales and earnings growth is favourable.

Your directors were pleased to declare a tax free dividend of 15¢ per common share payable on the 29th of December, 1972 to shareholders of record the 22nd of December, 1972.

Your directors approved the redemption of \$200,000 par value Class A preference shares of Galt-Brantford Malleable Limited. This successfully completes redemption of minority interests in this subsidiary which is now wholly owned.

OPERATIONS

The operations of our foundry divisions had a successful year in terms of production and efficiency. More than 31,000,000 pounds of malleable castings were shipped to our customers, an increase of

over 14% from 1971.

The program of modernization and expansion started in 1966 at our Brantford plant is now being actively controlled by our management organization in order to achieve long term productivity improvements which we are sure will continue to result in increasing profits from sales.

Attention in 1972 was given to our original foundry in Cambridge (Galt); this has resulted in a program to modernize by investment in efficient molding equipment, as well as in-plant environment requirements, which through the year 1973 will result in increased capacity and profit. The plant will continue to rank as one of the most efficient in North America in its specific production capabilities.

Our hardware division has matured during 1972 into a most important area of profit. After considerable market research, this organization has developed aggressive plans in the marketing of awning fabrics and hardware, which we anticipate should result in as much as a 20% growth in sales over 1972 which year showed a 10% growth over 1971.

Product design and research has been active throughout 1972 in our plumbing and sink strainer business; we anticipate new designs will enhance our market penetration in this specialized field.

A miscellaneous machining capability was initiated in 1972 which contributed 20% of the total dollar value of sales in this important division. With this initial success, the management is actively seeking more production in this area to further diversify our interests.

Growth was experienced in other market areas, including truck and boat hardware, and hardware for the wire rope industry. This trend is expected to continue to parallel the growth within these areas.

CAPITAL EXPENDITURES

Capital expenditures for the year under review were \$141,500 reflecting the addition of equipment necessary to the day to day operations of the foundry and hardware divisions.

EMPLOYEES OF THE COMPANY

Your directors are happy to announce the appointment of Mr J.W. Hallock as head of Foundry Sales. Mr. Hallock brings with him a wealth of experience in this area.

Your directors wish to express their appreciation to our 450 employees for their loyalty and dedication to the company over the last year. In particular, we wish to thank Mr. Hugh C. Mackay who retired as President of Galt Malleable Iron Limited on March 1st, 1973 after a long and distinguished career starting in 1937. Mr. Mackay will continue to serve your company as Vice Chairman and as a director. (See separate comment on future growth, by Hugh C. Mackay - Page 14)

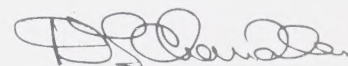
ANNUAL AND GENERAL MEETING

The annual and general meeting of the shareholders will be held in the British Columbia Room of the Royal York Hotel, Toronto, on Wednesday, April the 25th, 1973, at 10 a.m., Toronto time. A notice of the meeting and information circular is enclosed with this annual report.

Your directors hope that as many shareholders as possible will attend the meeting in person. However, if you are unable to attend, may we urge you to sign and return your proxy so that you will be represented at the meeting.

On behalf of the Board

D. L. CHANDLER
Chairman



H. C. MACKAY
Vice Chairman



Cambridge, Ontario
March 26, 1973

Galt Malleable Iron Limited

(Incorporated under the laws of Ontario)

and subsidiary companies

Consolidated Balance Sheet

Year ended December 31, 1972

ASSETS

	1972	1971
CURRENT ASSETS		
Cash		\$ 192,523
Marketable securities, at cost (quoted market value 1972, \$33,750; 1971, \$33,600)	\$ 47,500	42,689
Accounts receivable	1,002,776	1,068,847
Insurance proceeds receivable	108,428	
Advances receivable on long-term debt		165,738
Inventories (note 2)	865,942	776,618
Prepaid expenses	29,868	17,295
Income taxes under appeal (note 3)	169,105	
	<u>2,223,619</u>	<u>2,263,710</u>
OTHER ASSETS		
Investment (note 4)	210,000	210,000
Life insurance, cash surrender value	19,249	14,727
	<u>229,249</u>	<u>224,727</u>
FIXED ASSETS (note 5)		
Land	95,079	95,079
Buildings	2,024,069	2,008,257
Machinery and equipment	5,419,950	5,294,262
Railway siding	3,951	3,951
	<u>7,543,049</u>	<u>7,401,549</u>
Less accumulated depreciation	2,212,969	1,868,013
	<u>5,330,080</u>	<u>5,533,536</u>
DEFERRED FINANCIAL EXPENSE, less amortization	37,257	42,099
	<u>\$7,820,205</u>	<u>\$8,064,072</u>

Approved by the Board

H. C. Mackay, Director

F. W. Simpson, Director

LIABILITIES

	1972	1971
CURRENT LIABILITIES		
Bank advances, against which book debts and inventories have been pledged	\$ 125,285	
Accounts payable and accrued liabilities	586,202	\$ 632,297
Income and other taxes payable	58,815	105,607
Principal due within one year on long-term debt	384,016	403,855
	<u>1,154,318</u>	<u>1,141,759</u>
LONG-TERM DEBT (note 6)	2,965,265	3,502,697
DEFERRED INCOME TAXES	483,023	278,280
MINORITY INTEREST IN PREFERENCE SHARES OF GALT-BRANTFORD		
MALLEABLE LIMITED		200,000

SHAREHOLDERS' EQUITY

CAPITAL STOCK

Authorized

2,833 6% cumulative sinking fund first preference shares, par value \$100, redeemable at up to \$105 per share (after giving effect to the purchase for cancellation of 3 shares in 1972)

779 6¼% cumulative participating second preference shares, par value \$100, redeemable at up to \$105 per share

2,000,000 Common shares without par value

Issued

333 First preference shares (336 shares in 1971)	33,300	33,600
279 Second preference shares	27,900	27,900
652,500 Common shares	632,702	632,702
	<u>693,902</u>	<u>694,202</u>
CONTRIBUTED SURPLUS	131,740	131,680
RETAINED EARNINGS	2,391,957	2,115,454
	<u>3,217,599</u>	<u>2,941,336</u>
	<u>\$7,820,205</u>	<u>\$8,064,072</u>

UNFUNDED PENSION BENEFITS (note 7)

Galt Malleable Iron Limited

and subsidiary companies

Consolidated Statement of Income

Year ended December 31, 1972

	1972	1971
Sales	\$9,928,126	\$8,360,270
Cost of goods sold	8,071,737	6,716,742
Gross profit	1,856,389	1,643,528
Selling, financial and administrative expenses (including interest on long-term debt: 1972, \$272,827; 1971, \$286,865)	1,020,694	860,542
Income before income taxes and minority interest	835,695	782,986
Income taxes		
Current	232,551	240,652
Deferred	204,743	169,433
	437,294	410,085
Income before minority interest	398,401	372,901
Dividends on preference shares paid to minority shareholders of subsidiary company	3,000	12,000
NET INCOME FOR THE YEAR	\$ 395,401	\$ 360,901
EARNINGS PER SHARE, after deducting dividends on preference shares	\$.60	\$.55

Consolidated Statement of Retained Earnings

Year ended December 31, 1972

	1972	1971
Balance at beginning of year	\$2,115,454	\$1,856,423
Net income for the year	395,401	360,901
	2,510,855	2,217,324
Dividends on		
First preference shares	2,002	2,016
Second preference shares	1,744	1,984
Common shares	97,880	97,870
Tax paid on undistributed income	17,272	
	118,898	101,870
BALANCE AT END OF YEAR	\$2,391,957	\$2,115,454

Consolidated Statement of Contributed Surplus

Year ended December 31, 1972

	1972	1971
Balance at beginning of year	\$ 131,680	\$ 131,280
Discount on preference shares purchased for cancellation	60	400
BALANCE AT END OF YEAR	\$ 131,740	\$ 131,680

Consolidated Statement of Source and Application of Funds

Year ended December 31, 1972

	1972	1971
SOURCE OF FUNDS		
Operations		
Net income for the year	\$ 395,401	\$ 360,901
Items not involving current funds		
Depreciation and amortization	349,798	344,583
Deferred income taxes	204,743	169,433
Discount on bonds purchased for cancellation	(3,045)	(4,600)
	946,897	870,317
Advances on long-term debt		218,842
	946,897	1,089,159
APPLICATION OF FUNDS		
Additions to fixed assets	141,500	220,669
Long-term debt paid or included in current liabilities	516,432	385,055
Purchase of bonds (par value 1972, \$21,000; 1971, \$31,500)	17,955	26,900
Dividends on		
Preference shares	3,746	4,000
Common shares	97,880	97,870
Tax paid on undistributed income	17,272	
Increase in life insurance, cash surrender value	4,522	4,527
Preference shares redeemed by subsidiary company	200,000	
Purchase of preference shares (par value 1972, \$300; 1971, \$2,000)	240	1,600
	999,547	740,621
INCREASE (DECREASE) IN WORKING CAPITAL	(52,650)	348,538
WORKING CAPITAL AT BEGINNING OF YEAR	1,121,951	773,413
WORKING CAPITAL AT END OF YEAR	\$1,069,301	\$1,121,951

Galt Malleable Iron Limited

and subsidiary companies

Notes to Consolidated Financial Statements

Year Ended December 31, 1972

1 BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of G.M.I. Properties Limited and Galt-Brantford Malleable Limited.

2 INVENTORIES

	1972	1971
Raw materials and supplies	\$ 337,877	\$ 325,364
Work in process	348,293	296,704
Finished goods		
Manufactured	84,362	55,690
Purchased for resale	95,410	98,860
	<u>\$ 865,942</u>	<u>\$ 776,618</u>

Raw materials and supplies and finished goods purchased for resale are valued at lower of cost and replacement cost. Work in process and finished goods manufactured are valued at lower of cost and net realizable value.

3 INCOME TAXES UNDER APPEAL

During the year Galt Malleable Iron Limited was reassessed for income taxes and interest in the amount of \$169,105 with respect to the years 1967 to 1970. The company has appealed the reassessments.

4 INVESTMENT

The investment is shown at cost and consists of a one-third equity in the common shares of R.J. Simpson Manufacturing Company (Canada) Limited of Thamesville, Ontario. The remaining two-thirds equity is held by Simpson Industries Inc., a Michigan corporation and a major customer of Galt Malleable Iron Limited.

The interest of Galt Malleable Iron Limited in the earnings of R.J. Simpson Manufacturing Company (Canada) Limited for the fiscal year ended June 30, 1972 was \$93,502 (\$89,832 in 1971). Of these amounts only dividends received of \$5,000 in each of 1972 and 1971 have been taken into income. The equity of Galt Malleable Iron Limited in R.J. Simpson Manufacturing Company (Canada) Limited at June 30, 1972 amounted to \$461,331.

5 FIXED ASSETS

Buildings, machinery and equipment are valued at appraised values at May 3, 1956, with subsequent additions at cost. Other fixed assets are at cost.

6 LONG TERM DEBT

	1972	1971
Galt Malleable Iron Limited		
5¼% First mortgage sinking fund bonds due July 1, 1976	\$ 203,000	\$ 221,500
Less sinking fund cash	21,215	5,782
	<u>181,785</u>	<u>215,718</u>
5½% General mortgage sinking fund bonds due July 1, 1981	213,500	216,000
9% Debenture due August 15, 1975		165,738
Galt-Brantford Malleable Limited		
First mortgage income bonds due January 15, 1974		
6¼%	480,000	560,000
6½%	25,000	37,000
7¼% Debenture due July 15, 1982	1,851,500	2,044,700
10% First mortgage bonds due June 15, 1982	597,496	661,496
G.M.I. Properties Limited		
Mortgage payable due January 2, 1977		5,900
	<u>3,349,281</u>	<u>3,906,552</u>
Less principal included in current liabilities	384,016	403,855
	<u>\$2,965,265</u>	<u>\$3,502,697</u>

These debt instruments are secured by the companies' fixed assets and in addition the debt instruments of the company and Galt-Brantford Malleable Limited are secured by floating charges on all assets and undertakings of the company and its subsidiaries.

The company and its subsidiaries have agreed to certain regulation of the following activities:

- (a) Investments
- (b) Purchase and disposal of fixed assets
- (c) Issue of long-term debt
- (d) Issue and redemption of capital stock

Principal on long-term debt due within each of the next five years is as follows:

1973	\$384,016
1974	800,219
1975	321,500
1976	324,154
1977	287,434

7 UNFUNDED PENSION BENEFITS

The most recent independent actuarial report indicates that the single sum liability for unfunded past service pension benefits not provided for in the accounts at December 31, 1972 is approximately

\$180,000. It is the company's intention to fund this liability by annual instalments (including interest) of \$16,625 through 1988.

8 COMPARATIVE FIGURES

Certain figures for 1971 have been reclassified in order to present them in a form comparable with those for 1972.

9 OTHER STATUTORY INFORMATION

	1972	1971
Direct remuneration of directors and senior officers (as defined by The Business Corporations Act)	\$ 136,599	\$ 127,131
Depreciation and amortization	349,798	344,583

Auditors' Report

To the Shareholders of
Galt Malleable Iron Limited

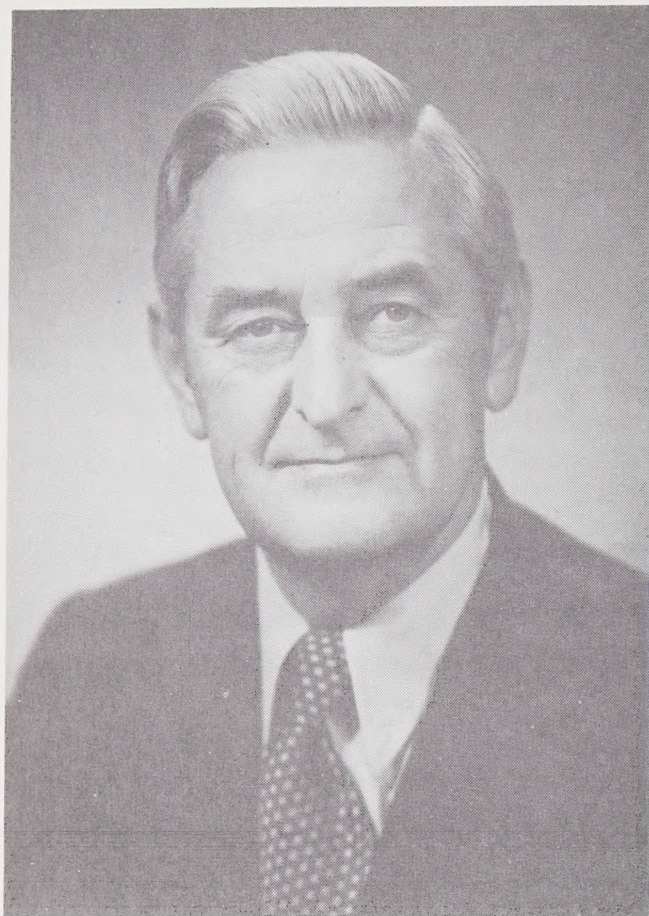
We have examined the consolidated balance sheet of Galt Malleable Iron Limited and subsidiary companies as at December 31, 1972 and the consolidated statements of income, retained earnings, contributed surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we consider neces-

sary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne Gunn & Co.
Chartered Accountants

Toronto, Canada
February 28, 1973



HUGH C. MACKAY

On March 1st, 1973, Hugh C. Mackay retired as President of Galt Malleable Iron Limited after a career which spanned 36 years. Few people know "Galt" as well as Mr. Mackay.

In 1937, he joined the Company, working in several areas prior to moving into the Company's main office.

During the Second World War, Hugh Mackay served in the Royal Canadian Navy.

In 1963, he became President of the Company, a position he held continuously until his retirement.

During his tenure, many changes took place, the largest of which included the building and then the expansion of the Galt-Brantford foundry and the change in status of the Company from a private to a public Corporation.

A MESSAGE FROM HUGH C. MACKAY

The business of fabricating castings was first recorded as early as 4000 B.C.

Since that time the casting process has been in continual use, principally because of its ability to produce complicated designs at a cost below that of other processes.

Today, we find that castings are being utilized under stresses and conditions formerly believed impossible; this capability is being appreciated by designers as never before.

During the last decade I have been privileged as President of Galt Malleable Iron Limited to implement programs of modernization and growth in our manufacturing capability by installation of many of the most efficient casting processes available to the foundry industry today.

At the same time I have also seen the management organization grow to a position of maturity which will ensure Galt's continuing capability to competitively produce quality castings to meet ever new design criteria.

Succeeding me as President is Mr. Douglas R. McKay who has a proven record of success in the North American Automotive casting industry, which I believe will ensure a successful future for Galt Malleable Iron Limited.

Hugh C. Mackay

GALT MALLEABLE IRON LIMITED

DIRECTORS and OFFICERS

Directors

D. L. Chandler
H. C. Mackay
H. J. Murphy
R. W. Navarre
F. W. Simpson

Officers

D. L. Chandler, Chairman
H. C. Mackay, Vice Chairman
D. R. McKay, President
F. W. Simpson, Secretary-Treasurer
C. A. Thompson, Vice President and Chief Engineer

BANKERS

The Royal Bank of Canada

SOLICITORS

Garvey, Ferriss

TRANSFER AGENTS & REGISTRARS

Guaranty Trust Company of Canada

AUDITORS

Thorne Gunn & Co.

HEAD OFFICE

60 Kerr Street,
CAMBRIDGE, Ontario,
N1R 5V8
Canada.



Head Office.

GALT MALLEABLE IRON LIMITED

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CAMBRIDGE, Ontario, N1R 5V8, Canada
PHONE: (519) 621-5710 Telex 069-59344